

STATE OF MICHIGAN  
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of	)	
<b>MICHIGAN GAS UTILITES CORPORATION</b>	)	Case No. U-17690-R
for a gas cost recovery reconciliation proceeding	)	
for the 12-month period ended March 31, 2016.	)	
_____	)	

At the March 28, 2017 meeting of the Michigan Public Service Commission in Lansing,  
Michigan.

PRESENT: Hon. Sally A. Talberg, Chairman  
Hon. Norman J. Saari, Commissioner  
Hon. Rachael A. Eubanks, Commissioner

**ORDER APPROVING SETTLEMENT AGREEMENT**

On June 30, 2016, Michigan Gas Utilities Corporation (MGUC) filed an application, with supporting testimony and exhibits, requesting authority to reconcile its gas cost recovery (GCR) revenues and expenses for the 12-month period ended March 31, 2016, and authority to reconcile costs and revenues from the implementation of a reservation charge to GCR and gas customer choice (GCC) customers.

A prehearing conference was held on September 8, 2016, before Administrative Law Judge Sharon L. Feldman. MGUC, the Michigan Department of the Attorney General, and the Commission Staff participated in the proceedings. Subsequently, the parties submitted a settlement agreement resolving all issues in this case.

According to the terms of the settlement agreement, attached as Exhibit A, the parties agree that a net total underrecovery of \$177,369, inclusive of interest, should be reflected as the

beginning balance for MGUC's 2016-2017 GCR reconciliation and that a total net underrecovery of \$399,715, inclusive of interest, should be reflected as the beginning balance of MGUC's reservation charge reconciliation pursuant to the Commission-approved standard refund procedures. The parties further agree that the interest to GCR customers should be allocated proportionately between the GCR commodity charge underrecovery and the portion of the reservation charge underrecovery applicable to GCR customers as demonstrated in Attachment 1 to the settlement agreement.

The Commission finds that the settlement agreement is reasonable and in the public interest, and should be approved.

THEREFORE, IT IS ORDERED that:

- A. The settlement agreement, attached as Exhibit A, is approved.
- B. Michigan Gas Utilities Corporation shall reflect the underrecovery of \$177,369 as the beginning balance for its 2016-2017 gas cost recovery reconciliation.
- C. Michigan Gas Utilities Corporation shall reflect the underrecovery of \$399,715 as the beginning balance for its 2016-2017 reservation charge reconciliation.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26. To comply with the Michigan Rules of Court's requirement to notify the Commission of an appeal, appellants shall send required notices to both the Commission's Executive Secretary and to the Commission's Legal Counsel.

Electronic notifications should be sent to the Executive Secretary at [mpscdockets@michigan.gov](mailto:mpscdockets@michigan.gov) and to the Michigan Department of the Attorney General – Public Service Division at [pungpl@michigan.gov](mailto:pungpl@michigan.gov). In lieu of electronic submissions, paper copies of such notifications may be sent to the Executive Secretary and the Attorney General – Public Service Division at 7109 W. Saginaw Hwy., Lansing, MI 48917.

MICHIGAN PUBLIC SERVICE COMMISSION

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Sally A. Talberg, Chairman

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Norman J. Saari, Commissioner

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Rachael A. Eubanks, Commissioner

By its action of March 28, 2017.

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Kavita Kale, Executive Secretary

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<b>MICHIGAN GAS UTILITIES CORPORATION</b>	)	Case No. U-17690-R
for a gas cost recovery reconciliation proceeding	)	
<u>for the 12-month period ended March 31, 2016.</u>	)	

**SETTLEMENT AGREEMENT**

Pursuant to Section 78 of the Administrative Procedures Act of 1969 as amended, MCL 24.278, and Rule 431 of the Michigan Administrative Hearing Rules (R 792.10431), Michigan Gas Utilities Corporation (“MGUC” or the “Company”), Attorney General Bill Schuette (“Attorney General”), and the Michigan Public Service Commission Staff (“Staff”) agree as follows:

1. On June 30, 2016, MGUC filed its Application along with supporting testimony and exhibits with the Michigan Public Service Commission (“MPSC” or the “Commission”) requesting approval of the reconciliation of its revenues with amounts expensed and included in the cost of gas sold by the Company during the 12-month Gas Cost Recovery (“GCR”) plan year ending March 31, 2016. The Application and supporting testimony and exhibits also reconciled the costs and revenues associated with implementing the Reservation Charge to GCR and Gas Customer Choice (“GCC”) customers, which implementation was authorized by the Commission’s January 26, 2012 Order in Case Nos. U-16481 and U-16513. The testimony and exhibits reflected a cumulative over-recovered balance of \$403,149 as of March 31, 2016 relative to the GCR Commodity Charge and cumulative under-recovered balance of (\$445,894) as of March 31, 2016 relative to the Reservation Charge. MGUC proposed to allocate the

Reservation Charge under-recovery between GCR and GCC customers for the purpose of calculating interest. This resulted in a total cumulative over-recovered balance of \$418,887 inclusive of interest relative to GCR customers, and a total cumulative under-recovered balance of (\$65,707) inclusive of interest relative to GCC customers.

2. On July 27, 2016, the Commission issued its Notice of Hearing scheduling a prehearing conference for September 8, 2016, before the Honorable Sharon L. Feldman.

3. In accordance with the Commission's Notice of Hearing, MGUC provided notice throughout its service territory. MGUC's proof of mailing and affidavits of publication were electronically filed with the Commission on August 25, 2016.

4. On September 8, 2016, Administrative Law Judge ("ALJ") Feldman presided over a prehearing conference in this matter. The Company and Staff participated, and the Attorney General was granted intervenor status.

5. On October 28, 2016, MGUC filed revisions to the Company's direct testimony and exhibits, including the Revised Testimony and Revised Exhibits of David J. Tyler and Gary W. Simons. The revised testimony and revised exhibits reflected a cumulative under-recovered balance of (\$511,497) as of March 31, 2016 relative to the GCR Commodity Charge and a cumulative under-recovered balance of (\$445,895) as of March 31, 2016 relative to the Reservation Charge. Allocating the Reservation Charge under-recovery between GCR and GCC customers for the purpose of calculating interest resulted in a total cumulative under-recovered balance of (\$511,376) inclusive of interest applicable to GCR customers, and a net total under-recovery of (\$65,707) inclusive of interest relative to GCC customers.

6. Subsequent to engaging in discovery, the parties engaged in settlement discussions, which have led to the agreements incorporated in this Settlement Agreement.

7. By this Settlement Agreement MGUC, Staff, and the AG agree that:
- a. Proceedings in this GCR reconciliation were conducted in accordance with Act 304.
  - b. The expenditures made by MGUC for the cost of gas supply during the 12-month period ending March 31, 2016, were reasonable and prudent and in compliance with Act 304 and should be approved by the Commission.
  - c. The interest payment to GCR customers should be allocated proportionately between the GCR Commodity Charge under-recovery and the GCR portion of the Reservation Charge under-recovery as described in Attachment 1. Beginning with the 2016-2017 GCR Reconciliation case, MGUC will revise Exhibit A-14, page 1 to reflect the GCR customer interest allocation methodology described in Attachment 1.
  - d. Pursuant to MGUC's Commission-approved standard refund procedures, a net total under-recovery of (\$177,369), inclusive of interest, should be reflected as the beginning balance for MGUC's 2016-2017 GCR Gas Commodity Charge reconciliation.
  - e. Pursuant to MGUC's Commission-approved standard refund procedures, a net total under-recovery of (\$399,715), inclusive of interest, should be reflected as the beginning balance for MGUC's Reservation Charge reconciliation in the 2016-2017 GCR reconciliation proceeding.
  - f. Beginning with the 2016-2017 GCR reconciliation, MGUC will calculate interest for the over- and under-recovery of gas commodity costs and the reservation charge using the simple monthly interest method.

g. In MGUC's direct case for the 2016-2017 GCR reconciliation, and as applicable in future reconciliation filings, the Company will address the information relied upon for decisions resulting in the release and the withholding from release of the ANR ML7 transportation capacity.

h. Beginning with the 2017-2018 GCR period, MGUC will revise the Reconciliation Report to include an adjustment for Gas In Kind volumes received from GCC and End Use Transportation ("EUT") suppliers. Beginning with the 2017-2018 GCR period, the Company will also revise the calculation of Lost and Unaccounted For Gas to include all gas receipts into its gas supply system, including GCC and EUT gas volume receipts. The Company reserves the right to address the effectiveness of this adjustment and revised calculation in future GCR reconciliation proceedings, including proposing alternate measures for the purpose of more effectively addressing the concerns raised by the Attorney General in this proceeding.

8. The parties agree that approval of this Settlement Agreement by the Commission would be reasonable and prudent, and will aid in the expeditious conclusion of this case.

9. This Settlement Agreement has been made for the sole express purpose of reaching compromise among the positions of the parties. This Settlement Agreement is intended for a final disposition of this proceeding, and the parties join in respectfully requesting that the Commission grant prompt approval.

10. All offers of settlement and discussions relating to this Settlement Agreement are, and shall be considered, privileged under MRE 408 and shall not be used in any manner, or be admissible for any other purpose in connection with this proceeding or any other proceeding or

matter. This Settlement Agreement does not constitute a precedent in any other case or proceeding except as necessary to carry out its terms.

11. The parties agree to waive Section 81 of the Administrative Procedures Act of 1969, MCL 24.281, as it applies to this proceeding, if the Commission approves this Settlement Agreement without modification.

12. This Settlement Agreement is not severable. Each provision of the Settlement Agreement is dependent upon all other provisions of the Settlement Agreement. Failure to comply with any provision of the Settlement Agreement constitutes failure to comply with the entire Settlement Agreement. If the Commission rejects or modifies this Settlement Agreement or any provision of the Settlement Agreement, the Settlement Agreement shall be withdrawn and shall not constitute any part of the record in this proceeding or be used for any other purpose. Each party agrees not to appeal or otherwise contest any Commission order accepting and approving this Settlement Agreement without modification.

Respectfully submitted,

MICHIGAN GAS UTILITIES CORPORATION

Paul M.  
Collins

Digitally signed by: Paul M. Collins  
DN: CN = Paul M. Collins C = AD  
O = Miller Canfield  
Date: 2017.02.24 13:10:29 -04'00'

Dated: February 24, 2017

By: \_\_\_\_\_  
One of Its Attorneys  
Sherri A. Wellman (P38989)  
Paul M. Collins (P69719)  
Theresa A. G. Staley (P56998)  
MILLER, CANFIELD, PADDOCK  
AND STONE, P.L.C.  
One Michigan Avenue, Suite 900  
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MICHIGAN PUBLIC SERVICE COMMISSION STAFF

Dated: February 24, 2017

By: Heather M.S. Durian  
Heather M. S. Durian (P67587)  
Assistant Attorney General  
7109 W. Saginaw Hwy., 3<sup>rd</sup> Floor  
Lansing, MI 48917

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Date: 2017.02.28 09:47:28 -05'00'

ATTORNEY GENERAL BILL SCHUETTE

Dated: February 24, 2017

By: Michael E. Moody  
Michael E. Moody (P51985)  
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## 12 MONTHS

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